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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 33-18099-NY and 33-23169-NY

PHASE-OUT OF AMERICA, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	22-2418056
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

140 Broadway, Lynbrook, New York 11563
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (516) 599-1900

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Class	Outstanding at March 31, 1992
Common Stock, par value $.00001 per share	1,30

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PHASE-OUT OF AMERICA, INC. (A Development Stage Company)

FINANCIAL STATEMENTS

March 31, 1992

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Robinson & Goldstein

CERTIFIED PUBLIC ACCOUNTANTS

220 Old Country Road, Mineola, NY 11501
Telephone 516/739-2500
Fax 516/739-2554

PART 1 FINANCIAL INFORMATION
Item 1, financial statements

ACCOUNTANTS' DISCLAIMER OF OPINION

Shareholders and
Board of Directors
Phase-Out of America, Inc.
Lynbrook, New York

The accompanying balance sheet of Phase-Out of America, Inc. as of March 31, 1992 and the related statements of operations, cash flows and changes in stockholders' equity and schedule of general and administrative expenses for the three month periods ended March 31, 1992 and 1991 were not audited by us and, accordingly, we do not express an opinion or any other form of assurance on them.

We previously examined, in accordance with generally accepted auditing standards, the balance sheet as of December 31, 1991, and the related statements of operations and deficit, and cash flows for the year then ended (not presented herein); and in our report dated March 17, 1992, we expressed an unqualified opinion on those financial statements, but we have not performed any auditing procedures since that date.

Robinson & Goldstein

ROBINSON & GOLDSTEIN

New York, New York
May 19, 1992

PHASE-OUT OF AMERICA, INC. (A Development Stage Company)

BALANCE SHEETS

Note 1

ASSETS	March 31 1992	1991
CURRENT ASSETS		
Cash	$ 3,617	$ 1,186
Accounts receivable -- net of allowance for doubtful accounts of$ - (1992) and $ 1,100 (1991)	179	1,314
Inventory -- stated at the lower of cost or market - first-in first-out	114,759	117,855
Prepaid expenses	6,920	6,610
Loan to affiliate -- including accrued interest $ 4,193 (1992) and$ 3,468 (1991)	18,724	16,898
Rents receivable and other current assets	4,801	3,301
TOTAL CURRENT ASSETS	149,000	147,164
FIXED ASSETS, at cost, net of accumulated depreciation of$ 4,641 (1992) and$ 2,537 (1991)	3,295	3,821
SECURITY DEPOSITS	934	664
BOND DISCOUNT -- Note 7	700	-
	$ 153,929	$ 151,649
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 82,385	$ 63,431
Taxes payable -- Note 6	3,920	4,981
Amounts due to affiliate -- Note 4	2,000	500
Loans from Officer/Shareholder - Note 5	36,500	25,500
TOTAL CURRENT LIABILITIES	124,805	94,412
SUBORDINATED DEBENTURES PAYABLE -- Note 7	17,500	-
STOCKHOLDERS' EQUITY -- Note 3		
Common stock, $0.00003 par value:		
Authorized shares -- 100,000,000		
Issued and outstanding shares -- 38,332,334 at March 31, 1992 37,207,334 at December 31, 1991	1,150	1,116
Capital in excess of par	936,197	913,731
Deficit accumulated in the development stage	925,723	(857,610)
	11,624	57,237
Commitments and Other Comments -- Note 7		
Subsequent events -- Note 8		
	$ 153,929	$ 151,649

See accountants' disclaimer and notes to financial statements.

PHASE-OUT OF AMERICA, INC. (A Development Stage Company)

STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 1992	1991	July 17,1987 (Inception) to March 31, 1992
Sales -- net	$ 4,642	$ 817	$ 120,622
Cost of sales	2,891	374	57,104
Gross Profit	1,751	443	63,518
Rental and other income	1,500	-	6,004
Interest and dividend income	546	1,094	26,957
	3,797	1,537	96,479
Selling, general and administrative (Schedule 1)	71,910	77,934	1,022,202
Net loss	$ (68,113)	$ (76,397)	$ (925,723)
Loss per share -- Note 1	NIL	NIL	$ (0.04)
Weighted average number of shares outstanding	37,000,000	35,000,000	29,000,000

See accountants' disclaimer and notes to financial statements

PHASE-OUT OF AMERICA, INC. (A Development Stage Company)

STATEMENT OF STOCKHOLDERS' EQUITY

From July 17, 1987 (Inception) to March 31, 1992

Note 3

	Common Stock			Deficit Accumulated	
	Number of Shares(A) (Post Split)	Amount $.0000) Par Value	Capital in Excess of Par Value	During Development Stage	Treasury Stock
Sales of Stock for cash ($ .0001 per share) (7/17 - 9/15/87)	15,990,000	$533			
Sales of Stock for Cash ($.05 per share) (7/17 - 9/15/87)	3,000,000	100	$49,900		
Loss for the period of July 31, 1987 (Inception) to December 31, 1987				$ (3,613)	
Balance at December 31, 1987	18,990,000	633	49,900	(3,613)	
Shares held in Treasury -- purchased prior to stock split--reflected post split	(1,800,000)				$60
Adjustment to reflect three - for-one split on 6/21/88 and reduction of par value		($3)	$3		
Private placement	1,800,000	$0	29,940		
Retirement of Treasury Stock		($0)			($60)
Loss for the year ended December 31, 1988				(29,430)	
Balance at December 31, 1988	18,990,000	$78	79,903	(33,043)	-
Proceeds from sales of common stock in initial public offering through March 31, 1989	9,095,000	273	454,477		
Proceeds from sale of under-writer's unit warrants			5		
Expenses in connection with initial public offering, including $50,680 deferred at December 31, 1988			(134,459)		
Subtotal	28,085,000	841	399,926	(33,043)	

See accountants' disclaimer and notes to financial statements.

 (Continued on next page)

PHASE-OUT OF AMERICA, INC. (A Development Stage Company)

STATEMENT OF STOCKHOLDERS' EQUITY -- Continued

From July 17, 1987 (Inception) to March 31, 1992

Note 3

	Common Stock			Deficit Accumulated
	Number of Shares(A) (Post Split)	Amount $.0000) Par Value	Capital in Excess of Par Value	During Development Stage
Balance from previous page	28,085,000	$841	$399,936	$(33,043)
Closing on maximum sale on initial public offering on April 3, 1989	2,905,000	87	145,163	
Expenses in connection with April 3, 1989 closing on maximum offering			(31,033)	
Sale of Underwriter's unit Warrants			3	
Exercise of A Warrants (Note 3)	370,000	11	36,989	
Loss for the year ended December 31, 1989				$(238,250)
Balance at December 31, 1989	31,360,000	$941	$541,047	$(271,293)
Exercise of A Warrants	1,111,000	33	111,067	
Stock issued for consulting services rendered	898,334	30	31,229	
Stock issued to officers as additional compensation (Note 5)	1,000,000	30	29,970	
Stock issued for legal services rendered	135,000	4	4,046	
Stock issued to employee in lieu of wages	50,000	2	1,498	
Loss for the year ended December 31, 1990				(305,247)
	34,359,334	1,030	720,857	(576,540)

See accountants' disclaimer and notes to financial statements.

PHASE-OUT OF AMERICA, INC. (A Development Stage Company)

STATEMENT OF STOCKHOLDERS' EQUITY -- Continued

From July 17, 1987 (Inception) to March 31, 1992

Note 3

	Common Stock			Deficit Accumulated
	Number of Shares(A) (Post Split)	Amount $.00003 Par Value	Capital in Excess of Par Value	During Development Stage
Balance from previous page	36,355,334	$1,090	$738,857	$(578,540)
Exercise of A warrants	1,583,000	47	155,253	
Stock issued for services rendered:				
Employees	50,000	2	998	
Lawyers	400,000	13	8,739	
Consultants	849,000	25	19,085	
Loss for the year ended December 31, 1991	-	-	-	291,070
	37,287,334	1,116	913,731	857,610
Private placement of subordinated debenture units				
Common stock element	35,000	1	699	-
Stock issued for services rendered:				
Officers	1,000,000	30	19,970	
Consultants	90,000	3	1,797	
Loss for the quarter ended March 31, 1992	-	-	-	68,112
	38,223,334	$ 1,150	$ 936,197	$ 925,722

See accountants' disclaimer and notes to financial statements.

PHASE-OUT OF AMERICA, INC. (A Development Stage Company)
STATEMENTS OF CASH FLOWS

	Three Months Ended March 31		July 17, 199 (Inception) March 31
	1992	1991	1992
OPERATING ACTIVITIES			
Net loss	$ (68,113)	$ (76,397)	$ (925,723)
Adjustments to reconcile net income to cash used for operating activities:			
Depreciation	536	536	4,641
Decrease (Increase) in accounts receivable	1,135	6,093	(179)
(Increase) in inventories	3,096	(15,159)	(114,759)
(Increase) in prepaid expenses and other current	(1,810)	(3,344)	(11,731)
(Increase) in interest due from affiliate	(725)	(399)	(4,373)
(Decrease) increase in accounts payable and accrued expenses	10,954	11,147	83,194
(Decrease) increase in taxes payable	(1,081)	(1,199)	4,112
(Decrease) increase in amounts due to affiliated company	1,500	(1,239)	3,000
Expenses paid through the issuance of restricted common stock	21,800	10,500	108,258
CASH USED FOR OPERATING ACTIVITIES	(34,698)	(71,308)	(855,550)
INVESTING ACTIVITIES			
Acquisition of fixed assets	-		(7,936)
Increase in security deposits	(270)		(934)
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(270)		(8,870)
FINANCING ACTIVITIES			
Proceeds of sales of Common Stock	-		680,533
Proceeds from exercise of A Warrants		115,300	303,400
Proceeds of sale of Underwriter's Unit Warrants			9
Purchase of Treasury Stock			(60)
Payments of offering expenses			(135,493)
Advances from officer/stockholder	11,000		38,000
Repayment of advances from officer/stockholder			(1,500)
Payments from warrantholders in connection with exercise of A Warrants			-
Proceeds of bond offering	17,500		17,500
Decrease in loan to affiliate			-
Loan to affiliated company	(1,101)	-	(14,351)
CASH PROVIDED BY FINANCING ACTIVITIES	27,399	115,300	868,037
INCREASE (DECREASE) IN CASH	2,431	43,992	3,617
Cash at beginning of period	1,186	23,874	-
Cash at end of period	$ 3,617	$ 67,866	$ 3,617

See accountants' disclaimer and notes to financial statements

PHASE-OUT OF AMERICA, INC. (A Development Stage Company)

SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SCHEDULE 1:

	Three Months Ended March 31, 1992	1991	July 17,1987 (Inception) to March 31, 1992
Officers' compensation Note 5	$ 35,000	$ 15,000	$ 232,981
Advertising and promotion	(1,230)	12,472	155,644
Travel and entertainment	5,180	11,215	94,209
Professional fees	8,300	10,830	133,888
Rent	3,657	4,811	40,253
Telephone	3,358	3,010	45,077
Consulting fees	-	-	39,614
Insurance expense	4,274	3,006	42,664
Postage	394	1,519	25,127
Auto lease	4,107	4,048	41,965
Auto expense	1,611	2,405	32,774
Salaries	2,273	3,250	46,356
Commissions	-	-	9,684
Payroll taxes	373	1,665	18,237
Utilities	1,990	938	12,945
Office supplies and expense	432	581	11,731
Printing	-	247	8,712
Miscellaneous	778	1,686	11,763
Stock transfer fees	687	604	6,308
Repairs and maintenance	-	-	1,592
Depreciation	526	526	4,641
Bad debts	-	34	3,464
State Franchise Taxes	200	86	2,573
	$ 71,910	$ 77,933	$ 1,022,202

See accountants' disclaimer and notes to financial statements.

PHASE-OUT OF AMERICA, INC. (A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
March 31, 1992

NOTE 1 -- BACKGROUND AND BASIS OF PRESENTATION

Phase-Out of America, Inc. (the Company) is a development stage company incorporated in Delaware on July 17, 1987, for the purpose of establishing a national network to market and distribute the Phase-Out System (the Product) to retail establishments.

The Company has not generated significant revenues. Operations have been primarily limited to obtaining funds through the issuance of its common stock, in pursuing a public offering of its stock and developing relationships for marketing of its product. There is no assurance that an adequate market can be developed for the product or that profitable operations will be achieved.

The financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses from operations ($281,270 in 1991, $305,247 in 1990 and $238,250 in 1989) and has limited liquidity causing an inability to meet its current operating expense obligations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are: private placement of Subordinated Debentures (Note 8) to raise $250,000; the Direct Response Marketing agreement described in Note 7 and payment of certain expenses via issuance of restricted Common Stock rather than cash. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition:
Revenues from the sale of the Phase-Out device are recognized as the products are shipped to customers.

Income Taxes:
There are no provisions for current or deferred taxes based on income as computed in accordance with current tax laws.

Loss Per Share:
Net loss per common share is based upon shares outstanding at the end of each fiscal year as retroactively adjusted for the 3-for-1 stock split on June 21, 1988 (see Note 3). Common stock equivalents are not included as their effect is anti-dilutive.

NOTE 3 -- STOCKHOLDERS' EQUITY

Public Offering:
In April, 1989, the Company completed the maximum sale of its initial public offering and issued 6,000,000 units (IPO Units, consisting of two shares of of $.00003 par value common stock and one Class A Common Stock Purchase Warrant) at $.10 per unit.

NOTE 3 -- STOCKHOLDERS' EQUITY -- Continued

Public Offering (Continued):
The aggregate net proceeds to the Company were $444,155, after deducting underwriting discounts and commissions of $60,000, underwriter's's non-accountable expense allowance of $18,000 and expenses associated with the underwriting of $ 77,845 (including approximately $27,000 in connection with a previous public offering which was aborted).

The underwriting agreement related to the public offering provided the underwriter with Warrants which entitle it to purchase 600,000 units at $.12 per unit, from the period of January 10, 1990 to January 10, 1994. The units underlying the underwriter's Warrants are substantially the same as the IPO Units except that: A Warrants are exercisable at $.12 rather than $.10 and; the underlying warrants are not redeemable.

Warrants:
The Class A Common Stock Purchase Warrants entitles the holder to purchase one share of common stock and one Class B Common Stock Purchase Warrant (B Warrants) at a price of $.10 per share through November 2,1992 (extended from December 31, 1991). Each B Warrant entitles the holder to purchase an additional share at $.25 per share through December 10, 1992 (extended from July 10, 1992) At March 31, 1992, there were 2,966,000 A Warrants and 3,034,000 B Warrants outstanding (after exercise of 3,034,000 A Warrants described below).

The Class A Warrants are immediately detachable and tradeable separately. The Company has the right to call the Warrants for redemption at $.00001 per Warrant upon 30 days notice. Warrant holders will then have 30 days within which to exercise their Warrants, after which the Warrants will expire.

Through March 31, 1992, 3,034,000 A Warrants were exercised. Of the shares issued, 360,000 were exercised during December 1989 but were not issued until January 1990. As of December 31, 1989, there was due $36,000 from warrantholders in connection with this transaction. This amount was received in January 1990. As of March 31, 1992, there were 2,966,000 outstanding A Warrants.

On June 13, 1988, the Board of Directors authorized reservation of 12,000,000 shares for issuance upon exercise of class A and class B redeemable warrants and 2,400,000 shares for issuance on exercise of Underwriter's Unit Warrants. As of March 31, 1992, 8,966,000 shares remained reserved for Class A and Class B warrants. The Underwriter's Unit Warrants have not been exercised.

NOTE 3 -- STOCKHOLDERS' EQUITY -- Continued

Stock Issued to Officers, Consultants and Employees:
In 1990, the Company issued approximately 1,839,000 shares of restricted common stock to officers, employees, special securities counsel and certain consultants in exchange for services rendered.

In 1990 the Company issued, to certain consultants to the Company, options to acquire a total of 350,000 shares of restricted common stock, 250,000 of which is exercisable within two years and 100,000 of which is exercisable within one year, mostly at $0.03 per share.

In 1991, the Company issued 1,299,000 shares to special securities counsel, an employee and certain consultants. In 1992, the Company issued 1,090,000 shares to officers and consultants.

Issuance of Common Stock Prior to Public Offering:
On July 17, 1987, the Company sold 4,600,000 shares (13,800,000 shares post split) of common stock to two of its officers/directors and 50,000 shares to its special counsel at $.0001 per share (aggregate $465).

In August 1987, the Company sold 600,000 shares (1,800,000 shares post split) of common stock to a private investor for $.0001 per share ($60). In May 1988, these shares were repurchased for $60 and held in treasury until July 1988 at which time the shares were retired. The Company agreed to pay this same shareholder $4,500 from the proceeds of the public offering, for consulting services rendered.

During the period from June 21, 1988 to August 12, 1988, the Company completed a private placement of 1,800,000 shares of its common stock for an aggregate of $30,000.

Other:
In June 1988, the Company's shareholders approved a decrease in the par value of its shares from $.0001 to $.00003 per share. On the same date, the Board of Directors resolved to affect a three-for-one split of all of its issued and outstanding shares of common stock.

NOTE 4 -- AMOUNTS DUE TO AND FROM AFFILIATED COMPANY
Amounts due to affiliated company, Products & Patents, Ltd (P&P) consists of unpaid rent of approximately $2,000. The amount due bears no interest.

The Company made a loan to P&P, payable on demand, including interest at 12%. The loan balances were: $18,72 including accrued interest of $4,193 at March 31, 1992 and: $16,898 including accrued interest of $3,468 at December 31, 1991.

NOTE 5 -- RELATED PARTY TRANSACTIONS

Office Premises:
The Company used the office facilities of P&P on a rent free basis through September 30, 1987. Effective October 1, 1987, by oral agreement, the Company agreed to pay $500 per month plus utilities and other expenditures for the use of the office facilities.

Licensing Agreements:
The Company entered into two licensing agreements with P&P concerning distribution rights to the product (Note 7). By agreement dated June 5, 1991, the quotas under the licensing agreement with P&P were waived. This waiver may not have been granted if the Company and P&P were unaffiliated entities, not under common control, dealing on an arms length basis.

Officers' Employment Contracts:
In June 1988 effective April 1989, the Company entered into five (5) year employment agreements with its President and Vice President. The employment contracts provide for compensation based upon 5% of gross profits, with minimum annual salaries of $35,000 and $25,000 for the President and Vice President respectively. Both contracts provide for bonuses of 2% of gross profits for any year in which pre-tax profits exceed $100,000. The contract with the President provides for a leased automobile, at the expense of the Company, at an approximate annual cost of $6,000 (see Note 7, lease commitments). Effective July 2, 1990, the contract with the Vice President provides for automobile lease payments.

Compensation and expense reimbursements and allowances for the President and Vice President were as follows:

	For the Period Ended March 31	
	1992	1991
Minimum salary per contract	$ 35,000(a)	$ 15,000
Bonuses paid by issuance of restricted common stock	20,000	-
	$ 55,000	$ 15,000
Automobile lease	4,107	4,048
Automobile expenses	1,611	2,405
Entertainment expenses	5,180	11,215

(a) 1992 minimum not paid as of March 31, 1992.

NOTE 5 -- RELATED PARTY TRANSACTIONS -- Continued

Employment and Stock Ownership of Affiliate:
The President and Vice President are also directors and significant shareholders of the Company and are officers, directors and significant shareholders of P&P. The President of the Company is a Vice President of P&P and and owns approximately 1.4% of the shares of P&P. The Vice President of the Company is the President of P&P, owns approximately 22% of the shares of P&P and, has a part-time employment agreement with P&P.

On June 21, 1988, the officers each contributed 3,000,000 shares (restated for 3-for-1 split) to P&P, making P&P a principal shareholder of the Company.

There may be conflicts of interest if either of the officers devotes time to P&P's interests in the Product and/or other interests of P&P.

Inventories:
The Company's inventory of devices is stored with P&P's inventory of devices in a warehouse used by the Company and P&P in Bohemia, New York. The rent on the warehouse space is paid by each company under an oral lease, based upon the respective use of space. Additionally, the Company and P&P jointly maintain $1,000,000 of liability insurance. Segregation of owned inventories would be observed more strictly if P&P and the Company were unaffiliated entities, not under common control, dealing on an arms length basis.

Loans from Officer/Stockholders:
Since 1991 an officer/stockholder loaned $36,500 to the Company. The amount is payable on demand and bears no interest.

Other:
General Counsel to the Company is a relative of the officers.

NOTE 6 -- INCOME TAXES

The Company has experienced losses since inception. At December 31, 1991 the Company has available net operating loss carryovers approximating $850,000 which begin to expire in 2002.

The Company has provided for minimum state franchise taxes and taxes based on capital. Such taxes are included in selling, general and administrative expenses in the statement of operations.

NOTE 7--COMMITMENTS, CONTINGENCIES AND OTHER COMMENTS

License Agreement with Products & Patents, Ltd.:
On September 14, 1987, the Company entered into a license agreement with P&P whereby the Company has an exclusive license to distribute the Product to retailers in the United States and to develop, market and distribute a comprehensive "stop smoking" program to corporations and other large employers. Additionally, the Company was granted the non-exclusive rights to sell the Product outside the United States and to market the Product through direct response type methods, other than direct response television marketing. The agreement is cancellable by P&P under certain specified conditions with 30 days written notice and, cancellable without cause by the the Company upon 90 days written notice. The term of the agreement commenced on March 21, 1989 (the initial closing date of the initial public offering) and ends on March 21, 1999, with an option to renew on written notice by the Company at least 120 days before expiration.

The agreement provides for immediate purchase of the Product of $100,000 within two weeks of the effective date, 100,000 units in the second year and, 200,000 units annually thereafter. The unit cost to the Company shall be $5.00 but may vary depending upon whether the product is manufactured in the United States or outside the United States. The agreement further provides that the Company spend a minimum of $100,000 annually to advertise and promote the product.

On February 7, 1990, the direct response licence agreement with P&P was amended to provide the following:

Purchase quotas may be met by the Company by manufacturing the product as well as purchasing the product from P&P.

The quota performance period shall be extended by 60 days if the Company needs to manufacture product to meet its quota.

The Company shall have the absolute right to manufacture the product, without the consent of P&P, if P&P is unable to deliver less than 5,000 devices within 30 days or, more than 5,000 devices within 60 days.

The Company has been unable to meet the quotas under this agreement. By agreement dated June 5, 1991, the minimum sales and advertising quotas were unconditionally and permanently waived. The licensing agreement was extended, subject only to continued best efforts by the Company in promoting, selling, marketing and advertising the product.

NOTE 7 -- COMMITMENTS, CONTINGENCIES AND OTHER COMMENTS -- Continued

Direct Response Marketing License Agreement:
On May 1, 1989, the Company entered into an agreement with P&P whereby partly in consideration of increasing sales quotas, the Company will have the exclusive right to market and sell the Product in the United States through all direct response methods.

The agreement provides for an initial purchase upon signing, with a purchase quota of $205,000 per year at a specified price per unit. The Company has been unable to meet the quotas imposed by this agreement. By agreement dated June 5, 1991, the minimum sales and advertising quotas were waived and the licensing agreement was extended.

For all orders placed through direct response methods, the Company shall purchase the Product from P&P at a specified per unit price. Furthermore, the Company shall have the right (under specified conditions) to manufacture the Product, subject to a royalty equal to 10% of net sales (as defined) of the Product manufactured by the Company.

Lease Commitments:
In August 1990, the Company entered into a non-cancellable automobile lease (replacing an April 1989 automobile lease in effect up to that date) requiring minimum monthly rental payments of $658 through August 1994 (approximately $32,000 through the end of the term). The lease provides for a purchase option of $15,000 exercisable at the end of the lease term. There are no renewal options. The automobile under this lease is used by the President (see Note 5).

In February 1991, the Company entered into a non-cancellable automobile lease requiring minimum monthly rental payments of $699 through January 1994 (approximately $26,000 through the end of the term). The lease provides for a purchase option of $26,000 exercisable at the end of the lease term. There are no renewal options. The automobile under this lease is used by the Vice President (see Note 5).

Each of the above automobile leases is personally guaranteed by the respective officer who has use of the vehicle.

Johns Hopkins School of Medicine Study of the Effectiveness of the Phase-Out Device:
In January 1991, the Department of Psychiatry and Behavioral Sciences of a major medical school issued a report on a study of the effects of the Phase-Out device on human tobacco smoke exposure. This institution is performing further studies on the effectiveness of the Phase-Out system.

NOTE 7--COMMITMENTS, CONTINGENCIES AND OTHER COMMENTS -- Continued

Direct Response Marketing Agreement:
On May 2, 1991, the Company entered into an agreement with a direct response marketing firm (the "D.R.M.") whereby the Company granted the exclusive broadcast and cable television rights and certain rights of first refusal and whereby the D.R.M. will produce and air a thirty minute "infomercial". The infomercial (in which all rights and title, as well as all rights of copyright will be owned by the D.R.M.) is to be used to market and sell the Product via direct response (mail and phone order, etc.). Additionally, the D.R.M. provided funding for the medical school study mentioned above.

In exchange for these services, the Company will ship the product at a significantly reduced unit price, but will receive a royalty on adjusted gross sales (as defined). Until such time as the D.R.M. recoups all production costs and funding for the medical school study, 50% of the royalties payable will be withheld from the Company. An additional specified percentage (initially 10% of royalties due under the agreement) will be retained to be applied against customer refunds.

The term of the agreement is three years from the date of commencement of broadcast on a regular basis, with automatic annual extensions unless terminated upon 30 days notice by either party. The agreement further provides for a testing period of 60 days commencing with the date of the agreement, whereby the D.R.M. may determine (subject to certain limitations) not to proceed. If the D.R.M. decides to proceed, then it will use its best efforts to complete the infomercial in 60 days, and will use the 60 day period commencing with completion of the infomercial to test market the infomercial. The last 60 day period will be used by the D.R.M. to determine whether to commence regular broadcast or terminate the agreement. If the D.R.M. then terminates, the right to recoup costs is lost. Despite the fact that all of the deadlines mentioned in this paragraph have passed as of December 31, 1991, the D.R.M. has taken no action to cancel and is continuing its efforts to produce the infomercial.

The Company will not be responsible for costs which the D.R.M. is unable to recoup due to insufficiency of royalties or decision by the D.R.M. not to air the infomercial.

Private Placement of Subordinated Debentures:
In February 1992, the Company commenced a private placement offering of Subordinated Debentures (the "Debentures") for a total of $250,000 of proceeds in units of $5,000 each.

Each unit consists of: (a) 10,000 shares of common stock and (b) $5,000 two-year subordinated debenture with interest at 10%. The Debentures are convertible as follows:

$0.050 per share for six months
0.075 per share for one year
0.100 per share thereafter

As of March 31, 1992,the Company placed 3 1/2 units for an aggreagate amount of $17,500. Between March 31, 1992 and the expiration of the offering on April 30, 1992 an additional 11 units were places for an aggregate of $55,000.

NOTE 8 -- SUBSEQUENT EVENTS

Asset Exchange:
On April 16, 1992 a letter of intent was signed wherein certain parcels of foreign real property or mineral rights may be exchanged for 5% non-cumulative preferred stock with $5,000,000 face value and convertible into 16,666,667 shares of Common Stock at $0.30 per share and other rights and designations as specified. The Company will be obligated to pay a fee of $100,000 with respect to this transaction.

The president of the company with whom the letter of intent was signed is the Special Securities Counsel for the company.

Acquisition of interest in Distributorship Recruitment Firm:
The company owns a 20% interest in a distributorship recruitment firm (the "DRF").

On May 18, 1992 a void agreement originally dated January 7, 1992 was revived. The agreement provides the DRF with exclusive rights to recruit and appoint independent distributors for non-exclusive marketing rights to retail markets.

The Company plans to conduct a private offering wherein a significant portion of the proceeds therefrom will be loaned to the DRF to purchase inventory of the device,to advertise and promote the device and for the DRF's working capital.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Quarter Ended March 31, 1992 Compared to Quarter Ended March 31, 1991

Since inception the Company devoted substantially all of its efforts to raising capital and has not generated significant revenues. The Company incurred a net loss of $68,113 for the quarter ended March 31, 1992, which was 11% lower than the net loss of $76,397 for the quarter ended March 31, 1991. The cumulative development stage loss through March 31, 1992 was $925,723. The loss for the three months ended March 31, 1992 was 13% lower than the loss incurred during the three months ended March 31, 1991. This reduction resulted from an increase in revenues and an overall reduction in certain non-essential operating costs. The Company reduced its promotional expense during the quarter ended March 31, 1992, incurring a net expense reduction of $1,230 as compared to an expense of $12,472 during the quarter ended March 31, 1991. Officer's compensation was $35,000 for the quarter ended March 31, 1992, including $20,000 in restricted common stock and $15,000 for the quarter ended March 31, 1991.

The Company shares the cost of liability insurance with Products & Patents, Ltd., for a policy naming both parties as insured. The Company has been unable to obtain coverage for cancerous and malignant growth.

Liquidity and Capital Resources

The Company used cash for operations of $24,698 and $71,308 for the quarters ended March 31, 1992, and 1991, respectively. Cash received in 1992, $17,500 from a private bond offering (plus $55,000 received in April 1992) added to the cash remaining from previous warrant exercises, and initial revenues from sales of its product were sufficient to sustain essential administrative expenses.

The Company does not have significant long or short term liquidity needs other that to meet its obligations with P&P and provide sufficient working capital to sustain a small office operation. However, the product's success depends heavily on reaching potential customers through advertising. The need for advertising would require significant liquidity.

If the Company's revenues continue at the same rate as for the three months ended March 31, 1992, expenses in certain areas would have to be significantly reduced. Since the Company's operations require minimal fixed overhead costs, management believes that such reductions could be achieved if necessary and operations could continue at reduced levels.

The Company currently has no established sources of financing or unused lines of credit. It is management's hope that revenues from operations and planned private offerings will provide the necessary liquidity to continue operations.

The Company's working capital has deteriorated due to lack of sustained revenues and continued high costs. Working capital and current ratios were:

	March 31, 1992	December 31 1991	March 31, 1991
Working capital	$24,195	$52,752	$196,687
Current ratios	1.2:1	1.6:1	12.9:1

Impact of Tax Reform

The Company's liquidity is not expected to be materially affected by any recent or pending tax acts.

Impact of Inflation

In general, the Company's operations will be affected by inflationary pressures on overhead expenses. The Company's principal product is made substantially of plastic. As such, increased oil prices may result in increased costs of raw materials required to manufacture the product which may affect the ability of the sole supplier to profitably deliver the product at prices agreed to in the licensing agreement.

The labor used to manufacture the product is unskilled or semi - skilled. However, increases in wages may result from inflationary pressures.

The Company's principal product does not have a significant marketing history and therefore the ability to pass on increased costs to customers is uncertain.

Distribution and Marketing

Over the past several years, the Company has entered into marketing, sales representation, distribution and distributorship agreements with various entities. A number of these entities failed to perform the services required and accordingly the Company terminated the agreements with these entities. However, the Company does have the Synchronol agreement in effect. The Synchronol agreement is for an exclusive in direct response television and a non-exclusive in some other areas of direct response marketing.

The Synchronol project is a direct marketing project wherein Synchronol will fund, produce and air a one-half hour infomercial. initial airing of the show was to serve as a litmus test to see whether or not the show had value. Synchronol hired a professional marketing consultant to review the show in front of two focus groups. As a result, the show is being revised and is now expected to air in July 1992. Synchronol projects, but cannot assure, sales of 15,000 to 30,000 units per months if the show is successful.

The first part of a major clinical research study on the Phase-Out System involving human subjects, by Johns Hopkins University School of Medicine has been concluded and a report was issued. The project had two stated goals: "1) to assess the effectiveness of the Phase-Out device for reducing smoke exposure and 2) to compare withdrawal symptom levels in smokers who do or do not undergo gradual smoking reduction using the Phase-Out device prior to a short term abstinence period. If post-cessation withdrawal symptoms are milder following the smoking reduction procedure than following abrupt cessation, this would lend support to the clinical practice of encouraging gradual smoking cut down prior to quit attempts and support the use of the Phase-Out device for this purpose." Management believes that the favorable results contained in the report on this study will significantly enhance the credibility of the product claims and result in improved sales and profitability. The second part of the study is under way.

Effect of Competing Products

Recently, the FDA approved nicotine patches for prescription by licensed physicians for treatment of nicotine withdrawal. Initially, this appears to be the quit smoking method that is now most commonly prescribed. However, management expects to counter the initial success of the patch program because there are stirrings of adverse publicity regarding patches.

Firstly, the patch program is costly, with physician fees and patch costs totalling in excess of $300 as compared to Phase-Out suggested retail price of $29.95. Furthermore, initial studies indicate that 25% of the patch users have smoked while using the patch. This poses a severe health threat to certain people due to the duplication of nicotine absorption. Management expects to use these aspects of nicotine patches to the Company's advantage in future marketing programs.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a vote of Security Holders

None

Item 5. Other Information

See the Notes to the financial statements.

Item 6. Exhibits and Reports on Form 8-K

10.a Security Asset Management International, Inc. Letter of Intent

10.b Agreements with Product Syndications, Inc.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

PHONE-OUT OF AMERICA, INC.

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 1973

EXHIBITS

EXHIBIT INDEX

10.a Security Asset Management International, Inc. Letter of Intent

10.b Agreements with Product Syndications, Inc.

SECURITY ASSET MANAGEMENT INTERNATIONAL, INC.
"SAMI"

515 MADISON AVENUE • NEW YORK, NEW YORK 10022
Tel: (212) 371-7799 • Fax (212) 371-8827

April 16, 1992

Drew Gutman, President
Phase Out Of America, Inc.
140 Broadway
Lynbrook, NY 11563

LETTER OF INTENT

Dear Drew:

The following sets forth the basic terms by which Phase Out of America, Inc. ("POA"), of which you are President, and Security Asset Management International, Inc. ("SAMI") of which I am President, intend to effect an exchange of assets owned by SAMI for stock of POA (the "Transaction").

1. The Assets. SAMI intends to transfer to POA assets consisting of either (a) an interest in a mine located in Mexico or Brazil, or (b) acreage in Brazil or Mexico (the "Assets"). SAMI will decide which Asset to transfer to POA. Whichever of the Assets is chosen, SAMI will provide POA with proof of title, appraisals, description of the Assets, photographs and/or videotapes, and such other documents you reasonably require to satisfy POA and POA's independent attorneys and accountants as to the legality of the transaction and the value of the Assets being transferred to POA.

2. The Stock. In exchange for the Assets, POA intends to issue to SAMI and/or its designees Preferred Stock of POA (the "Stock"). The Stock will have the following rights and designations: (a) face and par value totalling $5,000,000; (b) a 5% non-cumulative dividend; (c) the right to designate one member to POA's Board of Directors for as long as the Stock is not converted to Common Stock; (d) a preference over the Common Stock in the event of liquidation and for dividends: (e) convertible into 16,666,667 shares of POA Common Stock at a price of $.30 per share; and (f) the registration covenant described in paragraph 7(d) herein. The conversion price and number of shares will subsequently be adjusted to give effect to the proposed reverse split described in paragraph 7(c) herein.

3. Fees and Costs. POA will pay SAMI a total of $100,000 as SAMI's fee for the proposed Transaction, payable as follows: (a) within 14 days after the execution of this Letter of Intent by both parties - $10,000; (b) upon the signing of a definitive

agreement (the "Agreement") - $20,000; (c) at the closing of the Transaction, which should take place within 45 days from the date the Letter of Intent is signed - $70,000. Other than this fee, each party shall pay its own costs for the Transaction. It is expressly agreed and understood that POA's failure to pay any of the installment fees as set forth in this paragraph (3) may be treated as a default, but will entitle SAMI only to retain sums already paid, but no consequential or other damages whatsoever including, but not limited to any further payments specified herein.

4. The Agreement. A detailed Agreement will be prepared by counsel and approved, executed and delivered by the Boards of Directors of SAMI and POA as early as practicable. The Agreement will contain the terms set forth herein and other mutually acceptable and customary provisions including, but not limited to representations and warranties of each party to the other, undertakings of each party, conditions precedent to the Transaction and procedures for registration of the Stock being issued to SAMI. SAMI and POA and their respective representatives agree to cooperate and to use their best efforts to cause the Agreement to be executed and delivered on or before May 15, 1992.

5. Representations and Warranties. The Agreement will contain customary representations and warranties by each party thereto with respect to their respective business, financial and legal conditions. The representations and warranties of the parties herein and in the Agreement will survive the consummation of the Transaction and will continue to be enforceable against the parties by whom they were made.

6. Due Diligence. SAMI and POA agree to make available for inspection all corporate books, records and assets concerning POA's business, financial and legal condition and SAMI's Assets, for the purpose of conducting a due diligence investigation of the Transaction. POA may send representations to Mexico to see the Assets and to ask questions and receive all relevant information concerning the Assets. SAMI and POA further agree to keep confidential and not use for their own benefit, except in accordance with the Agreement, any information or documentation obtained in connection with any such investigation.

7. Conditions to the Obligation of SAMI. Without limiting the conditions to the obligation of SAMI in the

Agreement, the Agreement will contain the following conditions to the obligation of SAMI to consummate the Transaction.

(a) Capitalization of POA. POA represents to SAMI that its authorized capitalization currently of 100,000,000 shares of POA, of which 37,207,334 shares are issued and outstanding. POA further represents that there are no other outstanding POA Stock, warrants of other rights to acquire additional shares of POA Stock, except for 2,966,000 shares of POA stock issuable upon exercise of 2,966,000 outstanding POA Class A warrants, and (ii) 3,034,000 shares of POA Stock issuable upon exercise of 3,034,000 outstanding POA class B warrants. Immediately upon the signing of this Letter of Intent, POA will cause its Certificate of Incorporation to be amended to authorize at least 5,000,000 shares of Preferred Stock, $1.00 par value.

(b) POA Financial Condition. POA has represented to SAMI that it has a net worth as of December 31, 1991 of $57,237.

(c) Reverse Split. Immediately upon completing the Transaction, POA will effect a reverse split of its currently outstanding Common Stock such that the minimum bid price of the Common Stock after the reverse split can reasonably be projected to be at least $4.00.

(d) Registration. Immediately upon consummation of the Transaction, POA will prepare, file and use its best efforts to have declared effective a registration statement on Form S-1 covering the Stock and the Common Stock issuable upon conversion of the Stock. In addition, immediately upon completion of the Transaction, POA will register its Common Stock under Section 12(g) of the Securities Exchange Act of 1934.

(e) NASDAQ Application. Immediately upon completion of the Transaction, POA will prepare and file a Form 8-K disclosing the Transaction and containing financial statements including the Assets, and will file and use its best efforts to have accepted an application to have its Common Stock listed on the NASDAQ System.

(f) No Litigation or Governmental Proceedings. No litigation or governmental proceeds shall be pending or threatened with respect to POA, its assets or the Transaction contemplated hereby.

8. Conditions to the Obligation of POA. Without limiting the conditions to the obligation of POA in the Agreement, the Agreement will contain the following conditions to the obligation of POA to consummate the Transaction:

(a) The Assets. SAMI will transfer to POA at closing good and marketable title to the Assets, free and clear of all claims, liens and encumbrances of any kind or nature, including title transfer taxes.

(b) Value of the Assets. By appraisals and similar methods of valuation, SAMI will satisfy POA that the value of this Assets being transferred to POA in the Transaction as will be shown on POA's balance sheet is at least $5,000,000.

(c) Information. Before and after the closing of the Transaction, SAMI will provide POA and its independent attorneys and accountants whatever information is reasonable requested to prepare, file and have declared effective the Forms S-1 and Form 8-K, and the NASDAQ Application.

(d) No Litigation or Governmental Proceedings. No litigation or governmental proceedings shall be pending or threatened with respect to SAMI, the Assets or the Transaction.

9. Public Disclosure. SAMI and POA agree that there will be no press release or other public disclosure of the proposed Transaction contemplated hereby unless and until this Letter of Intent has been executed and delivered by the parties. At such time, any such press release or other public disclosure, and any Form 8-K report prepared for filing by POA, shall be reviewed by SAMI prior to its publication or filing.

10. Nature of this Letter. Upon acceptance of this offer by POA, it is understood that this letter will constitute a statement of the mutual intentions of the parties with respect to the proposed Transactions, although it does not contain all matters upon which agreement must be reached in order for the proposed transaction, to be consummated and, except as to paragraphs 6 and 9, creates no binding rights in favor of either party. A binding agreement with respect to the proposed Transaction will result only after the acceptance of this offer by POA and the execution by the parties of the Agreement.

11. Finders' Fees and Commissions. SAMI and POA represent to each other that no finders' fees or commissions have been or will be incurred as a result as a result of the consummation of the proposed Transaction.

12. Counterpart Execution. This letter may be executed by the parties in counterparts, all of which shall constitute one and the same original.

13. Amendment. The terms of this letter may be amended, modified or waived only in writing by the parties hereto.

14. Governing Law. This letter shall be governed and construed in accordance with the laws of the State of New York.

If the foregoing correctly set forth the material terms of your understanding of the proposed Transaction, and if such terms are acceptable to you, please execute two originals of this letter and return one executed original to the undersigned. We look forward to completing the Transaction.

Very truly yours,
SECURITY ASSET MANAGEMENT
INTERNATIONAL, INC.

By: _____
John B. Levy, President

ACCEPTED AND AGREED
this __th day of April, 1992:

PHASE OUT OF AMERICA, INC.

BY: Drew Gutman, President
Drew Gutman, President

[POAI0057.042]

AGREEMENT

Agreement made this 7th day of January, 1992, between Product Syndications, Inc. offices located at 192 Gardner Avenue, Jericho, New York 11753 (hereinafter referred to as "PSI") and Phase-Out of America, Inc. with its offices located at 140 Broadway, Lynbrook, New York 11563 (hereinafter referred to as "POA").

WHEREAS, POA represents that it is the owner of the exclusive United States marketing rights of the PhaseOut Device ("the Device"), United States Patent No. 4231378.

WHEREAS, PSI represents that it has substantial expertise and experience in selling distributorships for various products such as the device. It has developed successful techniques for the recruiting of distributorships via newspaper advertisements, business opportunity magazines and business opportunity shows.

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth herein, the parties intending to be legally bound do hereby agree as follows:

1. POA engages PSI to exclusively handle business opportunity shows and to recruit independent distributors through newspaper advertisements, magazines and other business opportunity publications, only, except that this engagement shall not include the recruitment of independent distributors through the exploitation of POA's customer lists or other methods not specifically referred to herein. Approval of other methods will not be unreasonably withheld.

2. PSI shall use its best efforts to appoint distributors through traditional advertising methods, including but not limited to newspaper advertisements, magazine advertisements and business opportunity shows.

3. PSI shall use its best efforts to provide its distributors with proper sales training, proper sales techniques, sales and promotional literature, product information, order forms and any and all pertinent material necessary for the

distributors' success. PSI shall provide each distributor with up to date information on the device and the Company by mail on an ongoing basis (through periodic newsletters and bulletins) so that each distributor has the opportunity to maximize its own sales. Said information shall include among other things, customer testimonials, newspaper, radio and television publicity and any addition clinical research reports.

PSI shall submit to POA copies of all proposed advertisements, newsletters, bulletins and other sales materials to POA for POA's written approval. Said approval shall not be unreasonably witheld.

4. PSI shall be solely responsible for any and all expenses and costs involved in the sale of distributorships.

5. Each distributor that PSI appoints can sell the device to all retail markets on a non-exclusive basis, such as drug stores, convenience stores, department stores, etc. including but not limited to door to door sales, health organizations, home party plans, doctor/dentist and other professional offices, hospitals, weight loss centers, office buildings, fund raising groups and fraternal organizations. Distributors must get prior approval to sell "chain store accounts" ... A chain store account is defined as any retailer with an excess of 25 outlets. The only marketing method distributors cannot pursue is the direct response sale to consumers through television advertising. If the distributor seeks to sell the device in other undefined markets, said distributor must obtain approval in writing beforehand from PSI who in turn will obtain approval in writing from POA. Said approval will not be unreasonably withheld. In this regard, it is expressly understood that POA has already granted the exclusive national direct response television and other rights to Synchronal Corporation. In the event PSI sells directly to an approved chain account that requires a relationship directly with POA, PSI will receive no less than a ten percent (10%) commission from POA.

POA reserves the right to review and approve of the form and content of all distributor agreements used by PSI.

6. Term and Continued Requirements: The term of this Agreement is for a period of ten (10) years commencing with the execution hereof subject to the terms and conditions stated herein including PSI's satisfactory performance under the sales quotas stated below.

7. Initial Order: PSI guarantees an initial order of 2,000 devices within sixty days from the date of this Agreement. PSI is currently seeking financing up to $150,000. If their financing is successful in the amount of $100,000, PSI will place an initial order of 3,000 devices. If $150,000 is raised, then the initial order will be 5,000 devices. If no initial order is made by PSI within the sixty (60) days then this agreement is null and void.

8. Quotas: The quota for the first year period ending December 31, 1992 shall be a minimum purchase of 25,000 devices. The quota for the remaining years shall be 50,000 devices per annum.

9. Cost of the Device. The cost of the device to PSI is $8.00 per device, F.O.B. Long Island, New York. Each device shall consist of a handsome package and instruction booklet. In the event POA's costs are increased by the cost of manufacturing than said costs of the device will be passed along to PSI, not to exceed 5% per year.

10. POA agrees to cooperate and support PSI in its efforts to sell distributorships by supplying PSI with any and all sales and promotional material it has at its disposal or any material requested, the charge shall not exceed 5% (percent) over POA's cost.

11. POA grants the right to PSI to reproduce any and all sales material, at PSI's own cost and expense with the understanding that any reproduction shall be in conformity with the product's image and already existing published literature, anything else shall require the written approval of POA and said approval shall not be unreasonably withheld.

12. PSI shall not provide its distributors with any other smoke cessation product for sale to the public without the express written approval of POA. Furthermore, PSI agrees that it shall not allow any of its distributors to sell to the public a competing product. In this regard, PSI shall have each of its distributors sign a restrictive covenant in its agreement with its distributors.

13. Payment: Payment for the device is either by cash in advance or C.O.D. No terms allowed.

14. Agency: The parties hereto are independent contractors. No joint venture, partnership or agency is contemplated by the parties (except as expressly indicated herein). Each party is to bear its own costs and expenses in regard to their respective responsibilities and performance hereunder, and neither shall be bound to the costs or expenses incurred by the other. Any and all representation, warranties, guarantees or other promises to be made in connection with PSI's sale or marketing of the Device must be approved by POA in writing. POA shall not be bound by, and PSI shall bear a full responsibility for, such acts, representation and conduct which are not expressly approved by POA in writing.

15. Termination: This Agreement may be terminated as provided above in the event that PSI fails to meet any of the minimum sales quotas set forth above, if PSI fails to place the initial order, if PSI fails to use its best efforts, if PSI fails to place a minimum of two advertisements for distributors during any one month period or may be terminated by either party in the event that the other party (i)

shall make an assignment for the benefit of creditor or a public admission of insolvency; (ii) shall be dissolved or shall lose its charter by forfeiture or otherwise; (iii) shall be adjudicated a bankrupt or insolvent or if a trustee, receiver or liquidator shall be appointed for that party or for any of its respective properties or for any substantial part thereof; (iv) any court or governmental authority or agency shall have taken jurisdiction of the property or business of that party, or any substantial part thereof, in any proceeding for reorganization, dissolution, liquidation or winding up of that party's business, and such trustee or receiver shall not be discharged or such jurisdiction relinquished or vacated within thirty (30) days thereafter; or (v) shall file a voluntary petition in bankruptcy under any bankruptcy or insolvency law or any law providing for reorganization, dissolution, liquidation or winding up or shall consent to the appointment of a receiver or trustee of itself or of its property or of any substantial part thereof. In the event that either party at any time commits or allows to be committed a breach of any obligation set forth to be performed or observed by it under this Agreement or in the event of any assignment hereof by PSI without prior written consent of POA or if PSI delegates its duties hereunder or creates any sub-distributorship or agency without POA's prior written consent, then the non-breaching party may by notice in writing given to the other, require such breach or event to be remedied within thirty (30) days of such notice. If it is not so remedied this Agreement shall without further notice be terminated at the election of the non-breaching party.

In the event POA wishes to terminate this Agreement with PSI and PSI is in compliance with the terms of this Agreement, POA may purchase back the distribution rights based upon the following formula:

2.5 x the amount of total purchase volume made by PSI to POA over the last 12 months from the date of buyout.

16. Consideration. It is understood that the PSI principles are being given this exclusive agency in consideration for their individual efforts on behalf of POA.

17. Entire Agreement: This Agreement constitutes the entire Agreement between the parties; it supersedes any prior Agreement or understandings between the parties, whether such prior Agreement or understandings were oral or written, all of which are hereby cancelled. No warranties or representations are made other than as set forth herein. No amendment or changes to this Agreement shall be binding unless made in writing and signed by both parties.

18. Notices: Any notices required hereunder shall be effective and binding if sent by prepaid, registered mail, telegram, cable or delivered in person to the party. All notices hereunder shall be deemed to have been received on the date shown by the certified mail receipt or the date served personally upon either of the parties at their respective addresses as set forth below.

For: PHASEOUT OF AMERICA, INC. its offices at:
140 Broadway
Lynbrook, New York 11563

For: KRAVER & LEVY its offices at:
David Levy
909 Third Avenue
New York, New York 10022

For: PRODUCTS SYNDICATIONS, INC. its offices at:
192 Gardner Avenue
Jericho, New York 11753

19. New York Law to Apply: This Agreement shall be construed under and in accordance in the laws of the state of New York.

20. Legal Construction: In any case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision thereof and this Agreement shall be construed as if

such invalid, illegal or unenforceable provision had never been contained herein.

21. Non-Waiver: Failure of either party at any time to require performance of any provisions of this Agreement, shall not affect the right to require full performance at any time thereafter and waiver by either party of a breach of any such provision shall not constitute a waiver of any subsequent breach or nullify any such provision.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have set their hand and seals and have hereby executed this Marketing Agreement as of the date first above written.

ATTEST:

PHASEOUT OF AMERICA, INC.

Bernard Gutman
Chairman

ATTEST:

PRODUCT SYNDICATIONS, INC.

Bernard Keil
Chairman

AGREEMENT

AGREEMENT made this 18th day of May, 1992, between PRODUCT SYNDICATIONS, INC., with offices located at 192 Gardner Avenue, Jericho, New York 11753 (hereinafter referred to as "PSI") and PHASE-OUT OF AMERICA, INC. with offices located at 140 Broadway, Lynbrook, New York 11563 (hereinafter referred to as "POA").

WHEREAS, PSI and POA entered into an agreement dated January 7, 1992 (the "Agreement"), a copy of which is attached hereto as Exhibit "A".

WHEREAS, the Agreement became null and void on or about March 7, 1992 in accordance with the terms set forth in paragraph "7" of the Agreement.

WHEREAS, PSI and POA each desire to enter into a new agreement identical to the Agreement.

NOW, THEREFORE in consideration of the mutual covenants and promises set forth herein, the parties intending to be legally bound do hereby agree as follows:

1. All of the terms of the Agreement (which Agreement is attached hereto as Exhibit "A"), except as set forth below, are, by this reference, incorporated herein.

2. The Term of this agreement as set forth in Paragraph "6" of the Agreement, and the initial order and quota periods set forth in paragraphs "7" and "8" of the Agreement commence as of the date hereof.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have set their hand and seals and have hereby executed this Marketing Agreement as of the date first above written.

ATTEST:

PHASE-OUT OF AMERICA, INC.

_____

_____
Bernard Gutman
Chairman

ATTEST:

PRODUCT SYNDICATIONS, INC.

_____

_____
Bernard Keil
Chairman

AGREEMENT

This Agreement is made and entered into this day of May, 1992 by and between **PHASEOUT OF AMERICA, Inc.** ("POA") and **PRODUCT SYNDICATIONS, INC.** ("PSI").

WITNESSETH

WHEREAS, LIDO EQUITIES CORP. ("LIDO") has agreed, on a best efforts basis, to assist POA raise up to $600,000.00 in capital in POA's Private offering of Convertible Preferred Stock. The amount of capital raised by LIDO for POA in the offering will be divided between PSI and POA, net of all offering and selling expenses and the requisite 12% reserve for the sinking fund, as follows:

The first $100,000.00 raised by LIDO will be split equally on a 50/50 basis, each to PSI and POA.

All of the next $100,000.00 raised by LIDO will be given to POA only for the specific purposes of effectuating an acquisition between POA and another Company with the assistance of JOHN LOWY, ESQ.

The remaining $200,000.00 raised by LIDO will also be split equally on a 50/50 basis between POA and PSI.

An interest reserve or sinking fund will be set up to provide for the 12% interest due to the investors. These funds will be held by an attorney in a separate interest bearing escrow account.

It is expressly understood that the Preferred Stock Offering is by POA, a publicly held company, and that PSI will not be entitled to any funds from offering proceeds raised without LIDO's assistance. All checks are made payable to John B. Lowy, Attorney, Trust Account and immediately distributed as outlined above. However, it is expressly understood and agreed to that any funds received by PSI from said distribution will be in the form of a loan from POA.

The term of the loan will be for five years. PSI agrees to pay a 12% interest rate per annum on any and all funds received. Interest payments to be made quarterly. The first year's interest payment to be accrued the first year. PSI and POA agree to enter into a formal promissory note and loan agreement, following the exact parameters above, immediately after the first monies are raised by LIDO, but before funds are distributed to PSI.

PSI will use all of the proceeds from this loan solely for marketing and distribution of the PHASEOUT System persuant to its agreement dated January 7, 1992, as revived by agreement dated May 18, 1992. The proceeds will be used in accordance with the following guidelines: Purchase of inventory; 35%, Advertising and Promotion; 45% and Working Capital; 20%.

Agreed and Accepted:

PHASEOUT OF AMERICA, INC.

By: _____
Bernard Gutman

Chairman

By: Drew Gutman
Drew Gutman
President

PRODUCT SYNDICATIONS, INC.

By: _____
Bernice Keil
President

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registration has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHASE-OUT OF AMERICA, INC.

Dated: May 19, 1992

Drew Gutman, President
and Treasurer

POAG0003.052